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Canadian Business B3

Dollar gives up early gains

Slide starts despite strong jobs report

BY KA YAN NG, TORONTO

The Canadian dollar scurried sharply lower yesterday, giving up all its gains posted after a strong domestic jobs report early in the day.

Players bought U.S. dollars after stop-loss orders were triggered, starting the Canadian dollar's sharp slide against a backdrop of the last of the bond redemptions. Coupon and maturity payments for Government of Canada bonds totalling \$141-billion on Dec. 1 were a source of short-term pressure on the currency.

Players also bought euros and yen and shrugged off the Canadian dollar, which closed yesterday at 64.66 cents (U.S.), down 0.44 cents.

A Canadian player and a German bank began buying up U.S. dollars against their Canadian counterparts after early weakness pushed the loonie through stop-loss orders around the \$1.5400 (Canadian) and \$1.5420 levels, said a currency trader with a major Canadian bank.

"The stops went through and these two guys just hovered it," the trader said. "I don't know why, it doesn't make much sense to me."

Trading conditions were thin yesterday, the trader added. "It's been an unusually illiquid day."

Andy Busch, senior foreign exchange dealer at BMO Nesbitt Burns Inc., said there was a lot of buying of yen and euros that may have caused the weakness.

With equity markets putting in a stable performance yesterday and strong domestic data early in the session, it's difficult to pinpoint the reason for pressure on the Canadian currency, the trader said.

"Obviously, something bigger is going through. I don't know if it's merger and acquisition related, or what the case is," he said.

Statistics Canada reported that employment increased by 58,000 in November, significantly bettering expectations of a 25,000 increase. The unemployment rate remained steady at 6.9 per cent as a comparable number of people entered the work force.

Full-time employment increased by 78,000 in November, while part-time declined by 21,000.

Tom Benfer, director of foreign exchange at Bank of Montreal in New York, said he was surprised the Canadian dollar wasn't able to climb higher on the jobs data.

Reuters News Agency

Copps won't come to aid of Chapters

BY HEATHER SCOFFIELD, OTTAWA

Heritage Minister Sheila Copps says she sees no reason to relax the foreign investment rules for bookellers, even though Chapters Inc. is desperately looking for another company to outbid a hostile takeover offer from rival Indigo Books & Music & more Inc.

Foreign companies are prohibited from controlling Canadian book sellers, and the rule has worked so well that Canada now has a flourishing book industry. Ms. Copps said yesterday.

"Before we throw the baby out with the bath water by destroying a built-in Canada distribution system, we better have some good reasons for doing it," she told reporters in response to a question about allowing Chapters some flexibility.

"And at the moment, frankly, you can't argue with success. We have the most successful book publishing industry of its size in the world, so I'm not sure why we would want to put that at risk. And there certainly have been no good reasons to put that at risk."

A company controlled by Indigo president Heather Reisman and husband Gerry Schwartz, Trilogy Retail Enterprises LP, has offered \$63.5-million for a controlling interest in Chapters — an offer that Chapters chief executive officer Larry Stevenson says is inadequate.

Mr. Stevenson is hoping another company will come along with a better offer. But analysts say its options are limited, partly because only Canadian companies are eligible.

• Eric Reguly, B9

ARC Energy snags Startech

To acquire junior oil and gas producer in \$356-million exchange of shares

BY DAVID PARKINSON, CALGARY

Oil and gas royalty trust ARC Energy Trust has agreed to acquire junior producer Startech Energy Inc. in a \$356-million share exchange that will allow ARC to acquire some solid cash-generating oil and gas assets without taking on Startech's exploration prospects.

The takeover, which has been approved by Startech's board, will give Startech shareholders 0.96 of an ARC trust unit, plus one share in a new company, for each Startech share held.

The new company will hold Startech's Whiskey Creek and Ham River exploration properties, while ARC will own Startech's producing assets, which produced about 13,500 barrels of oil equivalent a day in the first nine months of 2000. About 75 per cent of that was crude oil.

The swap of shares and units is valued at about \$356-million, based on ARC's closing unit price of \$11.20 Thursday on the Toronto Stock Exchange, the last price before the deal was announced. That's a 28-per-cent premium over

Thursday's closing price of \$8.40 for Startech.

In addition to the swap of shares and units, ARC will assume \$145-million of Startech debt.

Analysts said the deal is attractive to ARC as a royalty trust because it won't be taking on any non-producing exploration assets. Unlike traditional oil and gas companies, the trusts are in the business of maximizing cash generation so they can distribute it to unit holders. They have little use for exploration properties, which would simply be a drain on their cash flow.

"If they'd bought the whole company, they'd end up having to sell that [exploration business] anyway," said Doug Sims, an analyst

with Canaccord Capital Corp. in

"They're not in that business, and we don't want them in that business."

Mr. Sims said ARC was primed to do a deal, and the combination of equity and debt used to pay for Startech will allow it to keep its balance sheet in good shape. He added that the purchase price "seems reasonable."

The deal also looks good for Startech, whose stock has underperformed the market this year.

"It's a good premium to where the stock has been trading," said Will Gohert, an analyst at Peters & Co. in Calgary.

Analysts added that the transaction is more evidence of growing

merger-and-acquisition activity among oil and gas trusts. In a year when few traditional oil and gas companies have gone to the market with equity offerings, the trusts have raised millions through issues of their units, and many have taken advantage by snapping up smaller oil and gas producers. Last month, EnerMark Income Fund agreed to buy Cabre Exploration Ltd. in an all-stock deal valued at \$350-million.

"The income trusts have become the consolidators of the industry," said Canaccord Capital Corp. analyst Gord Currie, adding that he expects the trend to continue.

On Nov. 13's yesterday, ARC closed at \$10.50, down 70 cents, while Startech rose \$1.55 to \$9.95.



Former Jitec CEO Benoit Laliberté, arriving at a Quebec Securities Commission hearing yesterday in Montreal, is asking that a trading ban against him be lifted.

Ex-Jitec CEO vows QSC probe will clear him

Laliberté says regulator should look beyond personal trading in stock scandal

BY BERTRAND MAROTTE, MONTREAL

Former Jitec Inc. chief executive officer Benoit Laliberté said yesterday that deeper probing by the Quebec Securities Commission will exonerate him and uncover the true source of unusual trading patterns in the high-tech startup's stock.

After a morning appearance at a QSC hearing at which his lawyer asked that a trading ban against him be lifted, Mr. Laliberté said in a statement he will help investigators get to the bottom of the scandal and that they should look beyond his personal trading to "all the transactions conducted over the past few months."

"I am not responsible for the stock's volatility and an investigation will determine its source. I am not guilty and the investigation will exonerate me," he is quoted as saying in the release.

Mr. Laliberté's hundreds of thousands of shares traded from several different Montreal brokerage accounts pale in comparison with the millions of shares traded in the months since Jitec was listed on the Montreal Exchange, his spokesman Daniel Larouche told reporters after the hearing.

"Mr. Laliberté has his theory about what happened, which will surely be exposed to the commission's investigators," Mr. Larouche said later in a telephone interview.

He refused to elaborate and would not say if it is related to Mr. Laliberté's previous statements in the press that illegal transactions by short sellers have been behind Jitec's volatile stock movements.

Short sellers, who borrow stock and sell on the expectation that it will fall and then rebuy it at a lower price to repay what was borrowed, profit when a stock's value drops.

Jitec, which leases no fibre computer terminals connected to powerful servers to small and medium-sized companies, has seen its stock plummet from a high of \$11.05 on Aug. 10 to the 80-cent range.

The QSC banned Mr. Laliberté

from trading Jitec stock on Nov. 10, alleging he traded hundreds of thousands of Jitec shares through accounts he opened at five Montreal-area investment dealers.

It also says he transferred 1.5 million of his shares to accounts held by a numbered company and he personally used two of those accounts to trade in Jitec.

Additionally, the QSC alleges he transferred eight million of his shares to 35 people or companies and did not declare the transfers, as well as failing to declare several Jitec trades under insider trading reporting requirements.

The QSC, which took the emergency measure of banning Mr. Laliberté from trading — even though its investigation is not completed — in order to ensure a fair market and protect investors "from unfair, abusive and fraudulent practices."

Mr. Laliberté owns 38.7 million of Jitec's 53.8 million shares.

Mr. Laliberté resigned as president, CEO and director of Jitec last month after the company's board said he received \$865,000 in unauthorized advances and another \$1.2-million went to companies connected to him.

Mr. Laliberté's lawyer, William Atkinson, told a QSC commissioner's panel yesterday that all his insider trading reports have been provided to the commission.

QSC staff has decided that Mr. Laliberté's personal trading volume — among millions of other shares traded — is significant, but that's a value judgment not based in fact, he told the three-member panel.

Mr. Larouche said after the hearing that "there is nothing illegal conducting transactions in as many accounts as one wants."

During the hearing, Mr. Atkinson said people automatically think there's something crooked going on because a numbered company is involved, when in fact, such companies are common.

The panel is expected to decide sometime next week whether to allow Mr. Laliberté to trade Jitec shares again.

C.I. says bid portrayal unfair

TORONTO

C.I. Fund Management Inc.'s hostile takeover attempt of rival Mackenzie Financial Corp. turned into a war of words yesterday with C.I. accusing Mackenzie of obscuring the merits of the offer in a circular sent to shareholders.

C.I. issued a statement yesterday that disputes Mackenzie's analysis on six points, including the very it determines if the companies' value is being maximized.

"The Mackenzie circular focuses on historical financial results," C.I. has set a deadline of Dec. 22 for Mackenzie shareholders to accept its offer, valued at \$3.9-billion in stock and cash when it was first announced on Nov. 6.

"C.I. believes that by focusing on current assets under management and current growth rates, the offer is much more attractive than portrayed by the Mackenzie circular."

C.I. has set a deadline of Dec. 22 for Mackenzie shareholders to accept its offer, valued at \$3.9-billion in stock and cash when it was first announced on Nov. 6.

Canadian Press

360networks moves to quell fears

Telecom says 2001 revenue, cash flow will beat Street estimates by 50 per cent

BY PETER KENNEDY, VANCOUVER

360networks Inc. moved to defuse some uncertainty about its future financial performance yesterday by releasing a forecast saying cash flow and revenue in 2001 will be about 50 per cent higher than Street estimates.

The Vancouver-based telecommunications firm issued the statement to clear up confusion caused by published reports after a conference attended by about 100 analysts and investors on Thursday.

Yesterday, the company said it expects to generate revenue of up to \$3.3-billion (U.S.) next year, while cash flow from operations is forecast to be in the \$2.6-billion range.

These figures are 40 to 50 per cent higher than analysts' prior estimates.

Headed by chief executive officer Greg Maffei, 360networks is building a global fibre-optics network designed to carry anything from

phone calls to Internet connections on beams of light that move through glass strands.

When it is completed in mid-2002, Mr. Maffei said the 142,000-kilometre network will be the world's first large-scale, all-optical network.

"There is tremendous interest from customers in our network services on our undersea and terrestrial routes," said 360networks chief financial officer Larry Olsen.

Parts of the network, which is designed to provide high-speed links between North America, South America, Europe and Asia, is already up and running.

However, 360networks spokeswoman Michelle Gagné said the

company was keen to provide analysts with some guidance because some had based their forecasts on information that preceded its initial public offering in April.

"Going into 2001, it made good sense to give them revised guidance," she said.

The clarification notice seemed to ease some of the pressure on 360networks' stock price, which had fallen steadily from \$23.05 in early September on the Nasdaq Stock Market.

Yesterday, the stock recovered some ground, rising 68 cents to \$11.05.

On the Toronto Stock Exchange, the stock rose 95 cents (Canadian) to \$16.85.

Mr. Gagné said the

technology centre business.

TrizecHahn also opened the retail and entertainment portion of its Polus Centre in Bratislava, Slovakia, on Nov. 22.

The 625,000-square-foot Polus Centre is to open in March, the company said.

"We are now highly focused on enhancing our core U.S. portfolio and on developing our global

States, Canada and Europe," has substantially completed the repatriation of its North American portfolio with total sales of \$1.7-billion, Gregory Wilkins, president and chief operating officer, said in a statement.

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TORONTO

TrizecHahn Corp. has increased its property sales for the year to \$1.7-billion (U.S.) by selling seven for a total of \$312-million since Sept. 30.

The Toronto-based development company, which deals in U.S. dollars, said Thursday that it cleared

\$180-million after debt repayments on the sales of Place Bell Canada in Ottawa, Scotia Centre in Calgary, CN Tower in Edmonton, Two Pershing Square in Kansas City, Twinbrook Metro Park and 6206 Executive Boulevard in Maryland, and Courthouse Square in Virginia.

TrizecHahn, which retains interests in 97 properties in the United

States, Canada and Europe, "has substantially completed the repatriation of its North American portfolio with total sales of \$1.7-billion," Gregory Wilkins, president and chief operating officer, said in a statement.

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